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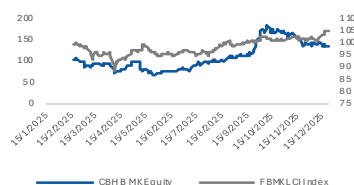
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Recommendation:	BUY
Current Price:	RM 0.42
Previous Target Price:	RM 0.47
Target Price:	RM 0.50
Capital Upside/Downside:	19.0%
Dividend Yield (%):	0.0%
Total Upside/Downside:	19.0%

Stock information	
Board	ACE
Sector	Industrial
Bursa / Bloomberg Code	0339 / CBHB MK
Syariah Compliant	Yes
ESG Rating	***
Shares issued (m)	1,880.9
Market Cap (RM' m)	790.0
52-Week Price Range (RM)	0.57-0.2
Beta (x)	N/A
Free float (%)	26.7
3M Average Volume (m)	9.1
3M Average Value (RM' m)	4.4

Top 3 Shareholders	(%)
Quay Holdings Sdn Bhd	72.8
Kaf Investment Funds	2.6
Lembaga Tabung Haji	2.3

Share Price Performance



	1M	3M	12M
Absolute (%)	0.0	15.1	N/A
Relative (%)	-3.5	9.8	N/A

Earnings Summary	FY24	FY25F	FY26F
Revenue (RM'm)	271.7	177.1	470.2
PATAMI (RM'm)	41.7	27.6	52.6
CNP (RM'm)	44.3	27.6	52.6
EPS - core (sen)	2.4	1.5	2.8
P/E (x)	17.8	28.6	15.0

CBH Engineering Holding Berhad Secures RM130m Contract

- **CBHB has secured a RM130.0m contract for the design, engineering, construction, installation, testing and commissioning, as well as the supply of materials, for the extension of an existing 275kV Consumer Landing Station supporting a data centre in Southern Peninsular Malaysia. The award lifts its outstanding order book to RM662.3m (2.4x FY24 revenue).**
- **Assuming Phase 2 follows Phase 1 completion, a 20% gross profit margin, and after stripping out SST, the contract is estimated to generate c.RM24.5m in gross profit over an 11-month duration.**
- **As the contract win exceeded our order book replenishment assumption, we have raised our earnings forecasts by 2-6% for FY26F-FY27F.**
- **Upgrade to BUY (from HOLD) with a higher TP of RM0.50 (from RM0.47), based on 18x FY26F EPS of 2.8 sen, following upward earnings revisions and recent share price weakness.**

RM130.0m Contract. CBHB has secured two Letters of Award (LOAs) totalling RM130.0m from an undisclosed Malaysian company for the design, engineering, construction, installation, testing and commissioning, as well as the supply of materials, for the extension of an existing 275kV Consumer Landing Station supporting a data centre located in Southern Peninsular Malaysia. The contract commenced on 23 December 2025. Phase 1 is expected to be completed by 30 April 2026, while Phases 2 and 3 are expected to be completed within seven months, subject to client instruction.

Our Take. We view the award **positively**, as it represents a new customer win, further strengthening CBHB's positioning in the DC space and is expected to support earnings growth through FY27F. Assuming Phases 2 and 3 commence following the completion of Phase 1, a 20% GP margin, and after stripping out SST, the contract is estimated to generate c.RM24.5m in GP over the 11-month duration. The bulk of earnings is expected to be recognised in FY26F, with tail-end contributions extending into FY27F. Following this award, CBHB's outstanding order book is estimated at RM662.3m (2.4x FY24 revenue), supporting medium-term earnings visibility.

Outlook. This represents its sixth contract win YTD, bringing total YTD contract wins to RM601.6m. We expect data centre related substation job momentum to remain resilient over the medium term, supported by ESA signed for c.6.1GW of data centre projects still in the pipeline, which underscores strong demand for HV substation works over the next 12-18 months. In addition, the top four AI data centre operators Amazon, Google, Meta and Microsoft are accelerating AI infrastructure investments, with combined capex expected to exceed US\$350bn in 2026, which we believe further supports Malaysia's attractiveness as a regional data centre hub. With a proven track record in delivering HV substation works, supported by recent data centre related contract wins, we believe CBHB remains one of the key beneficiaries of this trend.

Earnings revision. Following this contract win, which exceeded our order book replenishment assumption, we have raised our FY25 order book replenishment to RM602m from RM560m. We maintain our order book replenishment assumptions for FY26F and FY27F, as resources are expected to remain focused on executing existing orders. As a result, we have revised our earnings forecasts upwards by 6.6% for FY26F and 2.2% for FY27F, with no impact to FY25F given the late-Dec commencement of the contract.

Valuation & Recommendation. Post earnings adjustments, we upgrade the stock to **BUY** rating (from HOLD) and raise our TP to **RM0.50** (from RM0.47), based on 18x FY26F EPS of 2.8 sen. Following the recent share price weakness and improving earnings outlook, we believe CBHB's risk-reward profile has turned favourable. We like CBHB, given its (i) strategic role as a **proxy for Malaysia's rising power demand**, (ii) **established track record** in delivering HV substations tailored for data centre operators, and (iii) **robust supplier relationships** that support cost-efficient procurement.

Risks. High exposure to the DC sector, inability to secure new contracts, and unexpected project delays.

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	208.0	271.7	177.1	470.2	484.0
Gross Profit	67.3	73.4	48.2	110.3	111.0
EBITDA	46.1	55.1	37.1	69.9	69.9
Depreciation & Amortisation	-0.7	-0.9	-1.4	-1.3	-1.4
EBIT	45.5	54.1	35.7	68.5	68.6
Net Finance Income/ (Cost)	0.5	0.7	0.7	0.7	0.7
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	46.0	54.8	36.4	69.2	69.3
Tax	-12.9	-13.1	-8.7	-16.6	-16.6
Profit After Tax	33.0	41.7	27.6	52.6	52.7
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	33.0	41.7	27.6	52.6	52.7
Exceptionals	0.0	-2.5	0.0	0.0	0.0
Core Net Profit	33.0	44.3	27.6	52.6	52.7

Key Ratios

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	1.8	2.4	1.5	2.8	2.8
P/E (x)	23.9	17.8	28.6	15.0	15.0
P/B (x)	10.1	8.0	3.8	3.0	2.5
EV/EBITDA (x)	11.9	9.9	18.3	9.0	9.7
DPS (sen)	0.6	0.9	0.0	0.0	0.0
Dividend Yield (%)	1.5%	2.1%	0.0%	0.0%	0.0%
EBITDA margin (%)	22.2%	20.3%	20.9%	14.9%	14.5%
EBIT margin (%)	21.9%	19.9%	20.1%	14.6%	14.2%
PBT margin (%)	22.1%	20.2%	20.5%	14.7%	14.3%
PAT margin (%)	15.9%	15.4%	15.6%	11.2%	10.9%
NP margin (%)	15.9%	15.4%	15.6%	11.2%	10.9%
CNP margin (%)	15.9%	16.3%	15.6%	11.2%	10.9%
ROE (%)	42.1%	44.6%	13.1%	20.0%	16.7%
ROA (%)	23.1%	27.7%	10.5%	13.1%	11.4%
Gearing (%)	0.0%	0.1%	0.0%	0.0%	0.0%
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Valuations

	FY26F
Core EPS (RM)	0.028
P/E multiple (x)	18.0
Fair Value (RM)	0.50
ESG premium/discount	0.0%
Implied Fair Value (RM)	0.50

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash and bank balances	42.9	38.9	169.8	118.6	168.5
Receivables	46.6	38.7	45.1	126.0	130.6
Inventories	48.7	75.2	40.7	150.5	154.9
Other current assets	0.5	0.3	0.3	0.3	0.3
Total Current Assets	138.7	153.1	255.9	395.3	454.2
Fixed Assets	2.2	3.6	3.3	3.1	3.2
Intangibles	0.0	1.0	2.0	3.0	4.0
Other non-current assets	2.0	1.9	0.9	-0.1	-1.1
Total Non-Current Assets	4.2	6.5	6.2	6.1	6.1
Short-term debt	0.0	0.1	0.1	0.1	0.1
Payables	50.9	53.8	45.1	126.0	130.6
Other current liabilities	12.3	4.8	6.3	12.0	13.5
Total Current Liabilities	63.2	58.7	51.5	138.1	144.2
Long-term debt	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	1.2	1.7	0.3	0.5	0.6
Total Non-Current Liabilities	1.2	1.7	0.3	0.5	0.6
Shareholder's equity	78.4	99.2	210.3	262.9	315.6
Minority interest	0.0	0.0	0.0	0.0	0.0
Total Equity	78.4	99.2	210.3	262.9	315.6

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	46.0	54.8	36.4	69.2	69.3
Depreciation & amortisation	0.7	0.9	1.4	1.3	1.4
Changes in working capital	-10.8	-21.6	18.7	-105.3	-4.2
Others	0.4	-16.2	-9.4	-17.3	-17.3
Operating cash flow	36.2	18.0	47.0	-52.1	49.1
Capex	-0.3	-1.0	-1.1	-1.2	-1.4
Others	2.9	0.5	0.8	0.8	0.9
Investing cash flow	2.6	-0.6	-0.3	-0.4	-0.5
Dividends paid	-12.1	-21.0	0.0	0.0	0.0
Others	-8.6	-0.6	84.2	1.3	1.3
Financing cash flow	-20.7	-21.6	84.2	1.3	1.3
Net cash flow	18.0	-4.2	130.9	-51.2	49.9
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	13.6	31.6	27.4	158.4	107.2
Ending cash	31.6	27.4	158.4	107.2	157.1

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★★	Scope 1 and Scope 2 GHG emissions totalled 396.6m tCO ₂ e in 2024, marking a 46% yoy decreased from 2023.
Waste & Effluent	★★★	3R (Reduce, Reuse, Recycle) initiative was implemented, with 3R bins placed in each office.
Energy	★★	Energy consumption increased by 66% in FY24.
Water	★★★	Reduced water consumption by 7%, from 0.48m ³ in the previous year to 0.45m ³ .
Compliance	★★★	The Group complies with all local and international environmental regulations.

Social

Diversity	★★★	Female representation at 22% in the workforce and 57% at the management level, higher than the MCCG's recommended 30% female directors on the Board.
Human Rights	★★★	Enforces strict policies against human trafficking, forced labour, and child labour.
Occupational Safety and Health	★★★	3 employees trained in 2024 to enhance workforce competence. No fatalities.
Labour Practices	★★★	Adheres to all relevant labour laws.

Governance

CSR Strategy	★★★	Actively engaged with communities, contributing RM66.4k (+72% yoy) to various initiatives.
Management	★★★	Among the board members, 57% (4 out of 6) were female, while 36% (4 out of 11) were independent directors.
Stakeholders	★★★	Regularly organises corporate events and holds an annual general meeting (AGM) for investors.

Overall ESG Scoring: ★★★

Recommendation Framework:

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to -10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

Sector Recommendations:

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to -10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.